

MEMORANDUM



To: Honorable Mayor and City Council
From: Finance Subcommittee for Council Action
Subject: **Recommendations on Cost Savings and Retiree Medical Benefits Funding**
Date: Sept 14, 2005

Background:

The Finance Subcommittee has met six times since March 2005 to discuss citywide cost savings strategies and recommendations on various funding policies. Attached are the minutes from the meetings. Several key financial issues that have been discussed include:

- Public Art Funding
- Vendors' Payments
- Fire Department Overtime
- Bid Notice and Legal Advertisement Requirements
- Funding for Cultural Arts Grants, Youth Sports Grants, and Childcare Grants
- Defer hiring of City Manager, Police Chief and Human Resources Director
- Retiree Medical Benefits Funding

The Public Art funding recommendation was presented to the City Council in April 2005 and therefore not necessary to discuss again in this memo. The review of vendors' payments is ongoing. Finance staff provided a list of vendors' payments in the last four fiscal years to the Finance Subcommittee. The Subcommittee will continue its review and inquire about these payments as necessary. Discussion for the rest of the financial issues is addressed below.

Discussion:

- 1) Fire Department Overtime reduction: the Fire department has developed and recommended several strategies to address the overtime issue. The Fire Chief estimated the potential cost savings of these recommended strategies and determined that by implementing these strategies, the Fire Department would be able to operate within its overtime budget. There would be an overall savings for the General Fund as the Fire Department had exceeded its overtime budget by approximately \$271,000 in FY 04-05. For detail of the Fire Chief's recommendations, please refer to the attached memo from the Fire Chief dated September 7, 2005.
- 2) Bid Notice and Legal Advertisement Requirements: the City Attorney has determined that because Milpitas Post is not published and printed in Milpitas, it is therefore not officially a newspaper of general circulation under the public contract code. This determination allows the City to designate three locations within the City and the website for posting public notices and solicitations for bids for public projects. The Engineering staff estimated that cost savings could approach \$20,000 to \$30,000 for the various capital improvement projects. In order to designate these various locations for posting of bid notice and legal advertisement requirements for public contracts, the City needs to adopt an ordinance.
- 3) Cultural arts grants, youth sports grants and childcare grants: To restore funding for these grants, the Finance Subcommittee worked with staff to identify cost savings in the FY05-06 budget. One area that

was identified by the Subcommittee was the annual Commissioners' recognition dinner. Working with Recreation Services to come up with acceptable alternatives to recognize all the City Commissioners, the Finance Subcommittee determined that by hosting the recognition event at the City Hall in lieu of the dinner, a cost savings of approximately \$13,000 could be achieved. The Subcommittee recommends Option A. The options are discussed in the attached memo from the Recreation Services Manager dated August 1, 2005.

- 4) **Defer hiring of three positions:** Staff has calculated that the savings of deferring the hiring of a new City Manager to be approximately \$2,500 a month. By deferring the hiring of a new Police Chief, the Police Captain position was left vacant which will save the General Fund approximately \$21,000 a month. Similarly, by deferring the hiring of a new Human Resources Director, the savings is approximately \$14,600 a month. Please refer to the attached worksheets for the calculations.
- 5) **Retiree Medical Benefits:** In April 2005, the Finance Director presented to the City Council the results of an actuarial study to calculate unfunded liability related to retiree medical benefits. The Finance Subcommittee determined that the advantages of pre-funding the liability outweigh any disadvantages. Given the current economic environment, the City would not be able to fund the required annual contribution amount estimated by the actuary (approximately \$5 million a year). However, it is important that the City start pre-funding some of these costs in order to maintain the City's favorable general credit rating and to secure retiree medical benefits. The Finance Subcommittee recommends pre-funding a portion of the retiree medical benefit costs in the annual operating budget, beginning in fiscal 2006-07. The amount of funding would be determined as part of a revised budget policy, to be approved by the City Council.

Recommendations:

- 1) Accept the Fire Chief's recommendations to address the overtime issue.
- 2) Authorize staff to bring back an ordinance to designate three locations within the City and the City's website for posting of public notices and solicitations for bids on City public projects.
- 3) Authorize staff to proceed with Option A as identified in staff's memo to host the Commissioners' Recognition Event at the City Hall.
- 4) Defer the hiring of three positions: City Manager for nine months, Police Chief for nine months, and Human Resources Director by six months.
- 5) Pre-fund the retiree medical benefits by including a portion of the costs in the annual operating budget, beginning in fiscal year 2006-07. The funding amount will be determined as part of a revised budget policy, to be approved by the City Council.
- 6) Restore funding for the cultural arts, youth sports and child care grants as savings have been identified in the FY05-06 operating budget.

MEMORANDUM

Office of the Fire Chief



DATE: September 2, 2005
TO: City Council Finance Subcommittee
FROM: Clare Frank, Fire Chief
SUBJECT: Enhanced Overtime Management Measures

On August 3, 2005, the Fire Department presented enhanced overtime management measures to the City Council's Finance Subcommittee. The Subcommittee requested four additional pieces of information: (1) projected savings from implementation of the new measures, (2) a quarterly overtime report, (3) a method to track patterns of overtime use, and (4) a method to monitor platoon balancing. Each is addressed in turn below.

1. Projected Savings from Implementation of New Measures

There will be a savings that collectively results from implementing the new measures. A "ballpark estimate" of projected savings can be extrapolated from the savings experienced during the first two months of implementing these measures. Last fiscal year, the fire department exceeded its overtime budget by over 54%, spending at a rate of approximately \$64,000 per month. So far this fiscal year, the fire department has expended less than 10% of its overtime budget, spending at a rate of approximately \$25,500 per month. This reflects a realized savings rate of approximately 60%. Having said that, the department has had a relatively low injury rate and no large-scale incidents requiring call-back during this two-month period. Historically, the injury and call-back rates increase dramatically between September and December, and then subside between January and July, so the end-of-the-fiscal-year savings rate is likely to be closer to 45%. This would mean the fire department would end the fiscal year within its allocated overtime budget.²

It is not possible to extrapolate an exact savings rate for each measure because they are being implemented concurrently (instead of introducing one at a time against a controlled set of constant measures) and because many of the measures have no quantifiable comparative basis. Nonetheless, the following information helps explain each measure's role in the overall expected savings rate.

¹ The measures include:

- a. Increasing the number of personnel able to serve in an acting capacity at the ranks of Battalion Chief, Captain, and Engineer.
- b. Utilizing Staff Battalion Chiefs to cover behind absent Shift Battalion Chiefs when permitted by FLSA.
- c. Reducing Paramedic overtime related to continuing education.
- d. Reducing overtime caused by sick-leave and disability.
- e. Reducing overtime caused by discretionary training for FY 2005-2006.
- f. Reducing HazMat Personnel overtime related to minimum staffing requirements.
- g. Limiting vacation and training so that no more than two shift people are off on any one day.

² The 2005-2006 overtime budget is approximately 9% more than the 2004-2005 overtime budget due to increased personnel rates.

a. Increasing the number of personnel able to serve in an acting capacity

Last fiscal year, we only had two Acting Battalion Chiefs. We have increased this to four and expect at least one more before the end of the calendar year. During the first two months, this saved 4 days of Battalion Chief overtime (approximately \$7,000).¹ Given the vacation allotments for Battalion Chiefs, this will be a typical savings rate throughout the year for any two-month period. Other savings will be realized at lower ranks serving in acting capacity, but not to the same extent. In short, increasing the number of acting personnel may save approximately \$40,000 per year in overtime.

b. Utilizing Staff Battalion Chiefs to cover when permitted by FLSA

During the first two-months of this fiscal year, a Staff-BC covered during the day on at least two occasions. This saved 16 hours of Battalion Chief overtime (approximately \$1,200). This month, we are moving a Staff-BC to a Shift-BC schedule to cover 4 days. Again, this will save 4 days of Battalion Chief overtime (approximately \$7,000).² Given the vacation allotments and sick-leave usage for Battalion Chiefs, this will be a typical savings rate throughout the year for a three-month period. In short, utilizing Staff-BCs to cover shifts may save approximately \$35,000 per year in overtime.³

c. Reducing Paramedic overtime related to continuing education

Last fiscal year, a department policy allowed approximately \$16,000 to be spent on overtime related to paramedic training. The department has implemented new Internet-based training that should reduce if not eliminate the need for the expenditure.

d. Reducing overtime caused by sick-leave and disability.

Last fiscal year the department was riddled with injuries. The proposed measures to reduce sick-leave usage and injuries are not yet quantifiable in terms of a projected savings rate because we do not know if the measures will actually reduce use of leave credits, although experience and common sense dictates that they will.

e. Reducing overtime caused by discretionary training for FY 2005-2006.

Last fiscal year, the department spent \$11,911 on overtime for training. Much of this training was mandatory, but some of it was discretionary. The amount spent on discretionary training is not known because this has not been tracked separately. Again, we cannot specify the amount of the savings but can assume there will be some.

f. Reducing HazMat Personnel overtime related to minimum staffing requirements.

This measure has not yet been implemented because it is subject to collective

¹ This is not the net savings as there is a 10% "working out of class" increase that offsets a portion of the overtime savings, but this is not reflected in the overtime portion of the budget.

² This is not the net savings as there is a 6% holiday pay increase offset for the days covered by a staff BC, but this offset is not reflected in the overtime portion of the budget.

³ This is somewhat limited by FLSA constraints that do not allow the Staff-BCs to cover behind Shift-BCs for unanticipated or short-notice absences outside the "FLSA window." If the Staff BCs had a 56-hour workweek (8-5 work hours with on-call time), they could cover more shifts for greater overtime savings. There is some off-set to the savings, however, because the 56-hour BCs receive a 6% holiday-pay differential.

bargaining and negotiations are under-way. As of the last negotiation session, it did not look like Local 1699 was willing to decrease the HazMat minimum staffing, and instead was asking for an increase. Accordingly, no savings from this suggested measure are anticipated at this time.

- g. Limiting vacation and training so that no more than two shift people are off on any one day.

Minimum staffing requires 15 people per day, with at least 4 of them being paramedics, and 2 of them being HazMat certified. With the vacancies held open for salary savings, the department has 19 people per day, but with injuries and deployments (Gulf Region Hurricane & Gulf War), only 17 people per day – less if someone calls-in sick. This means that anytime more than two people are off on vacation or training, the department will have to pay overtime to meet its minimum staffing requirement or overtime if there are not enough paramedics or HazMat personnel on-duty. While there are times when more than two people can be off without incurring overtime, the risk of having to pay overtime increases. Again, because the savings depends on, *inter alia*, the number of injuries and deployments, the projected savings here are not verifiable -- but are inevitable.

- h. Develop a separate tracking mechanism for reimbursable overtime.

This is not a savings measure. Rather, it will account for overtime that was not anticipated during budgeting. If the department incurs a significant amount of unanticipated overtime that is reimbursable, it will seek a mid-year adjustment that adds the reimbursable amount to its budget, which will be offset by the reimbursement to the City's general revenue fund.

2. Quarterly Report

At the end of each quarter, the fire department will provide the Subcommittee with a report that indicates overtime expenditures to date, the percentage of the overtime budget spent, and the remaining amounts and percentages for each budget function. It will include a narrative explanation of any unusual overtime activity.

3. Method Used to Track Overtime Use

The fire department has been using the "Telestaff" program to track its overtime expenditures on a weekly basis. This program, however, does not capture all of the expenses captured on the timecards. We are working on implementing a reconciliation process that will ensure that the "Telestaff" numbers are more accurate. A weekly review of the expenditures, coupled with a monthly reconciliation process should expose any unusual overtime expenditure patterns. If we determine after the first two quarters that we are unable to rely on "Telestaff" because it cannot reliably capture all of the necessary information, we will abandon it as our overtime tracking mechanism and revert to utilizing the timesheets to track all overtime.

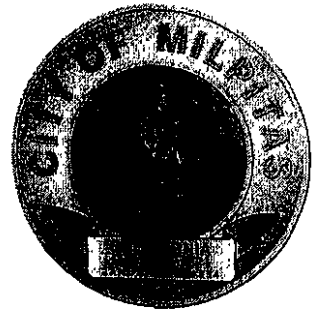
4. Method Used to Monitor and Balance Platoons

The fire department monitors the number of persons on each platoon daily. If any platoon falls behind any other platoon by 2 or more, and the FLSA period allows us to move a person, the move is made to balance the platoons. Platoon balancing is also addressed weekly at the command staff meeting.

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MEMORANDUM

Recreation Services



To: City Council Finance Subcommittee
Vice Mayor, Gomez
Council Member, Giordano

From: Bonnie Greiner, Recreation Services Manager

Subject: Commissioners' Recognition Dinner

Date: August 1, 2005

At the Finance Subcommittee meeting on July 6, 2005, the committee discussed the annual Commissioners' Recognition Dinner and recommended to scale back and possibly reorganize the event to recognize the commissioners at a City Council meeting followed by a reception during the break in the rotunda. Council Member Giordano stated that she would like to bring this recommendation, along with other cost saving proposals to the City Council meeting in September.

Currently, the Commissioners Recognition budget is allocated for \$15,000, with approximately \$10,000 dedicated for the dinner and \$5,000 committed to gifts for the commissioners. Last year, the commissioners voted to contribute \$5,000 to the Recreation Assistance Program in lieu of a gift.

The Finance Subcommittee has proposed to redirect the majority of this budget to help fund the Cultural Arts Support Program Grants, (\$22,000), Youth Sport Grants (\$8,000) and Childcare Grants (\$6,000), which have all been placed on a temporary hold for the 95% budget funding for fiscal year 2005-06.

Attached, please find two possible options for the 2006 commissioner recognitions to be held at the Milpitas City Hall. Approximately 130 Commissioners currently serve the City of Milpitas. The biggest challenge will be to get all the commissioners in the council chambers and reorganized in a timely fashion.

Please advise should you have any questions and or comments.

Commissioners Recognition 2006
April 2006
Milpitas City Hall Rotunda

Option A

The Commissioners Recognition Event will be held in April of 2006, at a designated City Council meeting. All Commissioners will be invited by formal invitation, to attend to take their Commission photo, receive a small-personalized gift and enjoy refreshments. The event would take place during an extended presentation part of the meeting. The Mayor will give a speech to formally "Thank" the Commissioners for their work and commitment to Milpitas in 2005. Commissioners will then be acknowledged by their Commission and be photographed with their Council Liaison. When all commission have been recognized and photographed, refreshments and gifts would be provided in the lobby. City Council Liaisons will award Commissioner Certificates at their respective Commission meetings in April 2006, as was done last year. With this Option, City Council would need to break, to have adequate time to spend with Commissioners, take their Commission Photo and take part in any necessary ceremony.

Event Timeline

City Council meeting begins - 7:00 pm

Presentations: Recognitions and Photos of Commissioners; - 7:30-8:00 pm

Refreshments/ Break - 8:00-8:15 pm

City Council meeting resumes - 8:20 pm

Budget Proposal 2006

Invitations	250.00
Certificate Supplies	400.00
Gift	800.00
Refreshments	550.00
	<u>Total</u>
	\$2,000.00

Option B

The Commissioners Recognition Event will be held in April of 2006, on a non-Commission night, held in the City Hall Rotunda. All Commissioners will be invited by formal invitation to attend an evening of wine, appetizer/dessert refreshment and live entertainment (quartet, harpist, etc.). Commissions will take their group photo and receive their personalized gift that evening. The Mayor will open the event by giving a formal "Thank You" to Commissioners for their work and commitment to Milpitas in 2005. Commissions will be called up separately to take their picture with their Council Liaison on the rotunda stairs. City Council Liaisons will award Commissioner Certificates at the Commission level, at their respective April meetings.

Event Timeline

Social/Check-In - 6:45pm

Entertainment Begins - 6:55pm

Welcome - 7:15pm

Group Photos - 7:25pm - 7:45pm

Soft Close - 8:15pm

Budget Proposal 2006

Invitations	250.00
Certificate Supplies	400.00
Gift	800.00
Refreshments	800.00

Linen/Glassware	200.00	<u>Total</u>
		\$2,700.00

**Event Budget for the Commissioners' Dinner 2005 was \$15,000.00, for a cost savings of up to \$13,000.00.

Defer Hiring a New City Manager

	Contract City Manager	vs.	Hiring a New City Manager
Annual Salary	218,618		203,355
Def Comp contribution			900
Medicare 1.45%	3,170		2,949
PERS 15.142%			30,792
Workers comp 0.500%	1,093		1,017
Group Insurance			10,750
House payment subsidy: Difference between (loan payment + property tax + HOA dues) and Fair market rental value			8,640
Auto Exp.	5,000		
TOTAL	<u>\$ 227,881</u>		<u>\$ 258,402</u>
Difference between a Contract Manager and New City Manager			30,521
Monthly Savings			<u>2,543</u>

Defer Hiring a New Police Chief

By deferring the hiring of a Police Chief, the Police Captain position will be left vacant

Vacant Police Captain		
Annual Salary		180,658
Def Comp contribution		900
Medicare	1.45%	2,620
PERS	26.240%	47,405
Worker Comp	5.500%	9,936
Group Insurance		10,750
Uniform		1,350
TOTAL		<u>\$ 253,618</u>
Monthly Savings		<u>21,135</u>

The vacant Police Captain position was not funded because it is part of the Police Department's 5% budget reduction.

Defer Hiring a New Human Resources Director

		Acting HR Director	vs.	Hiring a New HR Director
Annual Salary		101,010		153,515
Def Comp contribution		900		900
Medicare	1.45%	1,465		2,226
PERS	15.142%	15,295		23,245
Worker Comp	0.500%	505		768
Group Insurance		10,750		10,750
TOTAL		<u>\$ 129,925</u>		<u>\$ 191,404</u>
Difference between Acting HR Director and New Director				61,479
Not backfilling the Adm. Analyst position				114,430
Savings				<u>175,909</u>
Monthly Savings				<u>14,659</u>

CITY OF MILPITAS
CITY COUNCIL (FINANCE) SUBCOMMITTEE
Wednesday, August 3, 2005, 4:00 p.m.
455 E. Calaveras Blvd.

I. CALL TO ORDER - Vice Mayor Gomez called the meeting to order at 4:05 pm

Attendance:

City Council: Vice Mayor Armando Gomez
Debbie Giordano, Council Member

Staff: Emma Karlen, Jane Corpus, Greg Armendariz, Darryl Wong, Clare Frank,
Richard Pio Roda

II. CITIZENS FORUM - There was no attendance from citizens or the public.

III. APPROVAL of MINUTES: The July 6, 2005 minutes were reviewed and approved.

IV. ITEMS FOR DISCUSSION

A. Overtime Issue:

The new Fire Chief summarized the changes the Fire Department has already taken to curb overtime use and also the changes being recommended.

- Changes in place:

- 1) Increased the number of acting Battalion Chiefs.
- 2) Utilizing 40-hour Battalion Chiefs to cover overtime.

- Recommendations for overtime management:

- 1) Change the language in the MOU "opt out clause" and develop a promotional policy based in part upon successful participation in an acting-position program
- 2) Provide non-cash incentives to encourage minimal sick leave usage.
- 3) Reduce paramedic overtime for training that can be done in-house, on duty, or in service by changing the current Fire Department SOP that states paramedics (can have up to 24 hours of pre-approved overtime for continuing education units per person per fiscal year). There should not be a guarantee of overtime hours.
- 4) Reduce overtime caused by disability by offering light duty and staff assignments when reasonable.
- 5) Limit the number of people off duty for vacation, comp time or training to two at any one time.
- 6) Propose a change in the MOU reducing the minimum number of Hazardous Material Technicians on duty at a time from two to one.
- 7) Develop a separate tracking method for overtime that can be managed versus overtime that cannot be controlled such as reimbursable overtime for mutual aid or grant-funded training.
- 8) For this fiscal year, reduce non-mandatory discretionary training.

- Council member Giordano would like Fire to submit the projected percentage of overtime reduction.
- Vice-mayor Gomez would like Fire to provide to this subcommittee
 - A continual quarterly report
 - A method to track any pattern of overtime use
 - A method to monitor platoons to keep them balanced

B. Outside Vendors:

Finance Director, Emma Karlen, provided Council clarification of certain expenditures using the Milpitas Post for posting compost workshop, recycle awareness, pollution prevention and community emergency preparedness.

Darryl Wong noted that we have a certain level of performance requirement with the Regional Water Quality Board to provide outreach to customers and community. The Milpitas Post is being used to notify the community of such activities. In certain cases an ad ran several times in the same month because the same service was offered to the community each week. Periodically some announcements are printed on the City's utility billing statement.

Council would like to make sure the City gets the most for the money spent when advertising. Other avenues that might be used more effectively are: Channel 15, The Milpitas Activity Guide magazine, the City's utility billing insert, the website and the annual Community Preparedness advertisement. The City should develop an internal policy for advertising. We might want to conduct a survey when the public responds and inquire through what medium they saw the advertisement.

- This topic will be carried over to the next meeting for further discussion.
- Darryl - Check with Leslie Stobbe how the public has heard about the various conducted events.

C. Retirement Medical Benefits

The Finance Director reported back on implementing a pre-funded medical benefits program. Several cities have indicated that they do partial pre-funding, but very few take the money aside and put it in a trust fund. Actuarial Report indicates that as of July 2005, our outstanding liability is \$49 million.

- Pros to Pre funding:
 - 1) The money is secured, cannot touch it.
 - 2) Invest in longer-term securities and collect interest.
 - 3) Potential to look into different kinds of investments not limited by investment policy.
 - 4) Meet the Accounting Standard Board requirements
 - 5) Standard & Poor's rating agency would look upon us favorably.
 - 6) If we don't start now the liability builds up.

VI. NEXT MEETING - Wednesday, September 7, 2005 at 4:00 pm

VII. ADJOURNMENT

CITY OF MILPITAS
CITY COUNCIL (FINANCE) SUBCOMMITTEE
Wednesday, July 6, 2005, 4:00 p.m.
455 E. Calaveras Blvd.

I. CALL TO ORDER - Vice Mayor Gomez called the meeting to order at 4:02 pm

Attendance:

City Council: Vice Mayor Armando Gomez

Debbie Giordano, Council Member

Staff: Emma Karlen, Jane Corpus, Greg Armendariz, Demetrius Kastros, Bonnie Greiner

II. CITIZENS FORUM - There was no attendance from citizens or the public.

III. APPROVAL of MINUTES: The May 4, 2005 minutes were reviewed and approved.

IV. ITEMS FOR DISCUSSION

A. Overtime Issue:

Demetrius Kastros gave an overall presentation on the breakdown of the Fire Department line of command, personnel use in an emergency and how different issues impact overtime. According to the MOU, there are minimum staffing requirements. The demographics of each community determine the minimum staffing. Additionally, the Fire Department is meeting the level of service the Council set for the community, to have an engine on the scene within four minutes response time. Overtime runs about 5.5% of budget.

The following suggestions were made to manage overtime costs:

- 1) Change the current Fire Department policy that states paramedics (can have up to 24 hours of pre-approved overtime for continuing education units per person per fiscal year).
- 2) Adopt a policy that paramedic obtain their training during their work shift when another paramedic has been scheduled to be on duty that day.
- 3) Explore on-line training for paramedics to receive up to one third of their annual mandatory certifications. (\$20,000 savings yearly).
- 4) Currently there is an acting Battalion Chief on each of the three platoons. Use the two 40-hr Battalion Chiefs to provide relief coverage during the day. There should not be Battalion Chief overtime during the week (8-5) since there are sufficient 40-hr Battalion Chief personnel for coverage - (\$80,000 savings yearly).
- 5) Change the language in the MOU "opt out clause". This clause currently allows an employee to choose if they do not want to perform a higher function, except in case of an emergency.

- 6) Sick Leave incentive - Provide some kind of incentive for employees not to use their sick time. Currently, there is no real requirement for usage justification. Tighten up use of sick time / set industry standard controls:
 - a. Instead of usage being based on calendar year, let it be during a year's time.
 - b. Make one 24-hr period a "usage" (except if the employee has a doctor's note documenting a more serious illness or injury) with a maximum of three usages within a one-year period.
 - c. Modify the MOU to require a doctor's note after the fourth usage in a one-year period.
- 7) Disability time off - Need a better way to manage and reward non-use of disability time off.
- 8) Family leave - Modify MOU limiting use to any one-year period instead of a calendar year.
- 9) Mandatory training - Develop a specific plan and have Battalion Chiefs meet with each of their 6 paramedics, determine needed training to keep licenses current, make sure they are taking on-duty training as much as possible.

Through better management tools, it is possible to keep overtime in the 3 – 4 % range. At the start of every work period need to constantly look at moving employees around to maintain the minimum balance needed for each platoon.

Council wants overtime use not to exceed Fire's allocated budget. It would be good to ask the new Fire Chief to review overtime use and then present solutions to Council.

- **Vice-mayor Gomez would like Fire to prepare a presentation for the next Finance Subcommittee meeting in August with a list of final recommendations on how to deal with overtime; and will bring to full Council second week in August for their approval.**
- **Demetrius Kastros will be meeting with the new Fire Chief on the issues and solutions.**

B. Outside Vendors:

This item will be continued to the next meeting.

C. Retirement Medical Benefits

Finance staff is still gathering information from other sources and needs more time to report back to Council. A possible source is VTA who has begun to address this in their budget. Emma will provide the pros and cons of this issue.

D. Commissioners' Recognition Dinner

The current budget is \$15,000 - \$10,000 used for the dinner and \$5,000 towards the gift. This is the first year that the commissioners have asked to forgo the \$5,000 in gifts, and contributed to the RAP Program. The Finance Subcommittee would like to redirect the majority of this budget to help fund the CASP grant, youth sport grant and childcare grant.

It was recommended to scale back and reorganize the event. All of the commissioners could be recognized at a City Council Meeting followed by a reception during the break in the rotunda.

- **Council Member Giordano will bring this recommendation along with other cost saving proposals to the City Council meeting in September.**
- **Bonnie Greiner will provide an estimate of costs to Council Member Giordano.**

E. City-owned Home on Meadowland Drive

The former City Manager has up to October 21, 2005 to sell his home. The City Attorney can send him a reminder with the options to buy out the City's interest in the property or sell. Two appraisals will be done (one by the city, one by the employee). The appraised value will be the average of the two appraisals. -

- **Finance staff will review the agreement and report back to Council.**

F. Bid Notice and Legal Ad Requirements

Greg Armendariz indicated there are legal requirements placing ads for bids over \$5,000. Since the City of Milpitas is a general law city, we are required to adhere to state "Public Contract Code". Advertisement requirements: 10 days prior to bid opening, need to publish two ads (Notice Inviting Bids and Bid Opening) in a newspaper of general circulation and published within the city. Exception to this is when there is a time constraint, we can use a broader newspaper like The San Jose Mercury.

There needs to be clarification as to the publishing and printing requirement in the same city because the Milpitas Post is not printed within Milpitas.

Cost comparison - \$700 for the two required ads using the Milpitas Post
\$3,400 for the two required ads using San Jose Mercury

The City also posts the bids in 12 building trade journals that do not charge the city. However, this type of journal does not satisfy the requirement for publication. The bid information is also published online.

Presently the published ads contain the necessary information contractors need to know in order to submit a bid. It was questioned if the City can reduce the amount of wording in the advertisement and include a reference to go to a prepared City website for further bid details?

- Greg Armendarez - Will work with the City Attorney's office on:
 - The minimum information that needs to be published and still fulfill our legal ad requirements.
 - Does the Milpitas Post meet the legal definition of publishing and printing requirements.

V. OTHER BUSINESS

The 2% portion of the TOT tax funding was discussed and whether it can be used for CASP grants. Currently there is a reserve of \$ 4.9 Million left. Annually we receive around \$700,000 to a million. Right now the only designation of this portion is used to supplement the library operations. What other purposes can part of this 2% be used for?

- Finance staff will find out what the TOT tax can fund and bring back to Council. -

VI. NEXT MEETING - Wednesday, August 3, 2005 at 4:00 pm

VII. ADJOURNMENT

CITY OF MILPITAS
CITY COUNCIL (FINANCE) SUBCOMMITTEE
Wednesday, May 4, 2005, 4:00 p.m.
455 E. Calaveras Blvd.

I. CALL TO ORDER - Vice Mayor Gomez called the meeting to order at 4:05 pm

Attendance:

City Council: Vice Mayor Armando Gomez
Debbie Giordano, Council Member
Staff: Emma Karlen, Jane Corpus

II. CITIZENS FORUM - There was no attendance from citizens or the public.

III. REVIEW of MINUTES: The April 6, 2005 minutes were reviewed and approved.

IV. ITEMS FOR DISCUSSION

A. Department Funding Needs Not Currently Funded:

Finance staff provided Vice Mayor Gomez the list of currently-funded projects that will be not be funded in the upcoming budget year due to cutbacks. This list was compiled during the budget review sessions with each department.

Vice Mayor Gomez would like to use this list as a reference and include it in future Council packets so when any new proposals that impact the General Fund spending arise, there can be a comparison made to this list and an evaluation made as to what would be the best allocation of funds.

- Vice Mayor Gomez will notify Finance staff of any further action to this process.

B. Overtime Issue:

Vice Mayor Gomez would like clarification from the Fire Department as to what their minimum staffing requirements are and how this impacts their overtime budget and their vacancy rate.

Currently there are three departments that exceed 100% of their overtime budget: (City Manager, Engineering and Fire). These departments will need to provide a written report to this subcommittee to explain why they are exceeding their overtime budget.

- Finance staff will notify the three departments to provide the written report.
- A follow-up meeting with Fire is pending the outcome of the report.

C. Outside Vendors

Council Member Giordano briefly looked over the list of outside vendors and services the City uses that affect the General Fund operating budget. In order to get a better picture of why expenditures have risen, she needs more background information and a detail of expenses for specific vendors. The detail summary should cover four years from FY02 through FY 05.

- Council Member Giordano will advise Finance staff on the vendors of interest.
- Finance staff will have this information ready by the next subcommittee meeting.

V. OTHER BUSINESS

Retirement Medical Benefits

The subcommittee would like to look into alternatives or solutions to retirement medical benefits. Currently there not very many cities that provide pre-funded retirement medical benefits in a separate third-party trust account.

- Finance staff will spend some time to research this type of investment, see who would be able to manage this type of trust account, and consider what if health insurance laws change in the future.

VI. NEXT MEETING - Wednesday, June 1, 2005 at 4:00 pm

VII. ADJOURNMENT

CITY OF MILPITAS
CITY COUNCIL (FINANCE) SUBCOMMITTEE
Wednesday, April 6, 2005, 4:00 p.m.
455 E. Calaveras Blvd.

I. CALL TO ORDER - Vice Mayor Gomez called the meeting to order at 4:15 pm

Attendance: City Council: Vice Mayor Armando Gomez
Debbie Giordano, Council Member
Staff: Emma Karlen, Jane Corpus

II. CITIZENS FORUM - There was no attendance from citizens or the public.

III. APPROVAL OF MINUTES: The March 2, 2005 minutes were reviewed and approved.

IV. ITEMS FOR DISCUSSION

A. Department Funding Needs Not Currently Funded:

Vice Mayor Gomez requested Finance staff to provide a non-funded needs list. He would like the City Council to be aware of non-funded needs that do not get resolved. This can help set priorities as needs arise.

The different department can periodically update their needs, state how much they have saved so far and identify on-going needs in their department.

- Finance staff will provide this list to Vice Mayor Gomez after they gather the information from the various departments.

B. Overtime Issue:

Every two weeks Finance generates a report that identifies specific units that exceed the 10% overtime usage. Some departments routinely claim overtime, and it would be good to know their justification for overtime use. The department could possibly write a short memo explaining the overtime need.

- Review the overtime report year to date, look at departments' overtime funding status and then decide the next procedure to help cut overtime. Take a look at budget v/s actuals, not individual persons.

V. OTHER BUSINESS

Councilwoman Debbie Giordano would like Finance to provide a list of outside vendors and services the City uses that affect the General Fund operating budget. This information would let us know what outside services and vendors cost the City, which costs increase year by year and why.

- Finance staff will create a matrix that lists the vendor or contractor's name, the dollar amount, and if possible the requesting department. The time periods should cover FY01-02, FY02-03, FY03-04 and FY04-05. The information is needed before the next Council Meeting.

VI. NEXT MEETING - Wednesday, May 4, 2005 at 4:00 pm

VII. ADJOURNMENT

CITY OF MILPITAS
FINANCE SUBCOMMITTEE
Wednesday, March 2, 2005, 4:00 p.m.

Meeting Notes

1. Call to Order: Vice Mayor Gomez called the meeting to order at 4:08 p.m.

Attendance: City Council: Vice Mayor Armando Gomez, Council
Member Debbie Giordano
Staff: Mark Rogge, Emma Karlen, Jane Corpus,
Rosemary Beltran, Kathleen Yurchak
Arts Commission: Mareile Ogle

2. Citizen's Forum: No member from the audience wished to speak.

3. Discussion/Recommendations -- Public Arts Funding Policy

- The same Powerpoint presentation that was presented to the CIP Subcommittee and Arts Commission was presented to the Finance Subcommittee.
- Discussion started on what types of CIP projects that the 1.5% formula should apply to.
- Staff mentioned that the CIP Subcommittee and Arts Commission agreed that the 1.5% formula would apply to major public building or infrastructure projects that are funded by the City or Redevelopment Agency.
- If a project is funded with multiple funding sources, the 1.5% formula should only apply to the portion that is contributed by the City, e.g BART project.
- If the funding source of a CIP is restricted, e.g. gas tax, grant, park fees paid by developer for specified projects or utility funds, then the CIP would not be eligible for the 1.5% formula application.
- Staff mentioned that the Arts Commission further agreed that the Public Arts Fund would provide special maintenance for public arts. The Public Art Committee would include maintenance budget in their annual plan.
- Discussion on whether all phases of the CIP project costs would be included in the calculation except for property acquisition. Staff mentioned that there are cities that include construction costs only. Vice Mayor Gomez asked what would be the impact of including construction costs only. Staff indicated that construction costs are typically 50-60% of the total project costs and the public arts funding would be reduced by half.
- Vice Mayor Gomez indicated that he would agree to all phases of the CIP project (except property acquisition) but inquired about the definition of large public building and infrastructure projects. Staff indicated that large projects are defined as projects that are new or enhance existing structure. Projects that are repair and maintenance in nature would not be included in the calculation.

- Julie Cherry from the audience stated that it is important to keep the definition simple so that it would not be subject to interpretation in the future.
- Vice Mayor Gomez asked about the use of Public Arts Fund for staff time. Staff indicated that the location of public arts, signage, installation as well as procurement procedures would require staff time. Even though the Public Arts Fund is a pooled fund, by setting up a separate CIP project if necessary would be the best way to track staff time.
- Staff mentioned that the Master Plan would still need to be worked on and brought back to the City Council for approval. Larry Voellger from the audience mentioned both Julie Cherry and he had experience in this area and did not recommend hiring a consultant at this point.
- Vice Mayor recommended looking at a cap for large projects. Larry Voellger mentioned that very few cities have a minimum. Staff mentioned that some local cities e.g. City of Mountain View has a \$1 million minimum. Julie Cherry did not want to change the bottom line too much.
- Council Member Giordano asked staff to look at the chart to see how it affected the bottom line. It was determined that by excluding projects that are \$1 million or under, the funding for FY05-06 would be \$12,000 less. Staff mentioned that the building improvements project should not be included in the first place as the project is actually for repairs and maintenance of various City buildings.

4. Other Business

- Staff inquired what other issues the subcommittee would like to discuss in future meetings.
- Vice Mayor Gomez indicated that he would send a work plan for the subcommittee.

5. Schedule Next Meeting

- April 6, 2005 at 4 p.m.